

Message Text

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PAGE 01 WARSAW 06464 011645Z

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ACTION SS-25

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 7634

C O N F I D E N T I A L WARSAW 6464

EXDIS

E.O. 11652: GDS

TAGS: PINT, ECON, PL

SUBJECT: REACTION TO SHORTAGES AND PRICE-RISE RUMORS

REF: (A) STATE 229171; (B) STATE 231534; (C) WARSAW 6334;
(D) WARSAW 5989

1. IN ADDITION TO WARSAW'S 6334 NOTED REF B, EMBASSY COMMENTS ON SHORTAGES AND PRICE-RISE RUMORS ARE CONTAINED IN REF D AND IN NOWALINSKI MEMCON, POUCHED SEPTEMBER 12; WASZCZUK MEMCON POUCHED SEPTEMBER 29, AND MEMORANDA DATED SEPTEMBER 23 AND SEPTEMBER 26, ALSO POUCHED SEPTEMBER 29. (PIONTEK MEMCON, TO BE POUCHED OCTOBER 2, ALSO DEALS WITH SUBJECT.)

2. TENSION IS RUNNING HIGH, BOTH IN THE LEADERSHIP AND AMONG THE PEOPLE. WE KNOW FROM EXPERIENCE THAT THE POLISH BODY POLITIC IS VOLATILE AND LEAVES THE LEADERSHIP LITTLE ROOM FOR MANEUVER; A SPARK IN THE RIGHT PLACE COULD HAVE SERIOUS CONSEQUENCES. HOWEVER, GIEREK HAS PROVEN ADEPT AT DEFUSING CRITICAL DOMESTIC SITUATIONS.

3. WE HAVE HEARD FROM WELL-INFORMED SOURCES THAT THE TOP LEADERSHIP IS WELL AWARE OF THE UNREST AND DISCONTENT WITH THE PRESENT SUPPLY SITUATION AND IS TAKING STEPS TO KEEP THE DISCONTENT WITHIN BOUNDS, E.G., BY IMPORTING MEAT AND OTHER COMMODITIES. GIEREK KNOWS THAT A CREDIBILITY GAP EXISTS BETWEEN THE POPULATION AND THE REGIME. HIS RECENT HEAVY SCHEDULE OF
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 WARSAW 06464 011645Z

TRAVEL WITHIN THE COUNTRY, HIS TELEVISED SPEECHES, AND

HIS GENERAL HIGH VISIBILITY ARE INTENDED TO REASSURE THE POLISH PEOPLE THAT THEIR MOST PRESSING CONCERNS HAVE NOT BEEN FORGOTTEN.

4. GIEREK'S MAIN PROBLEM IS THE COMBINATION OF RISING POPULAR EXPECTATIONS AND THE FACT THAT TOO MUCH MONEY IS CHASING TOO FEW QUALITY GOODS. HE REALIZES THAT THE POLISH PEOPLE ARE EXCEEDINGLY SENSITIVE TO ANY ACTION WHICH MIGHT ADVERSELY AFFECT THE CONTINUING IMPROVEMENT OF THEIR STANDARD OF LIVING, HELD DOWN SO LONG DURING GOMULKA'S TENURE.

5. THE LEADERSHIP IS NOW TRYING TO EDUCATE THE POLISH PEOPLE ABOUT THE NECESSITY FOR FOOD AND OTHER PRICE RISES. A GREAT DEAL OF THE CURRENT UNREST AND ANXIETY ARISES FROM UNCERTAINTY ABOUT WHEN THE PRICE RISES WILL TAKE PLACE AND HOW HIGH THEY WILL BE. THE LEADERSHIP FACES A WHOLE SERIES OF VERY SENSITIVE DECISIONS, SUCH AS WHETHER PRICE RISES CAN BE IMPLEMENTED WITHOUT AT THE SAME TIME INCREASING WAGES AND OFFSETTING THE INCREASES THROUGH OTHER ACTIONS WHICH COULD HOLD DOWN TO SOME DEGREE THE ADVERSE EFFECTS OF THE INCREASES ON THE STANDARD OF LIVING. GIVEN THE CUMBERSOME POLISH ECONOMIC MECHANISM, IT MAY BE NECESSARY TO ALLOW INFLATION TO CURB DEMAND, SINCE SUFFICIENTLY INCREASED PRODUCTION OF QUALITY PRODUCTS IS STILL TOO FAR IN THE FUTURE. GIEREK APPARENTLY IS TRYING TO HOLD OFF INCREASING FOOD PRICES AS LONG AS POSSIBLE AND WOULD PRESUMABLY PREFER THAT THE SEVENTH PARTY CONGRESS TAKE THE RESPONSIBILITY FOR THIS ACTION.

6. THERE ARE THOSE IN WARSAW-- BOTH POLES AND DIPLOMATS--- WHO BELIEVE THAT THE CRUNCH CANNOT BE PUT OFF UNTIL THE CONGRESS, BUT IS LIKELY TO COME AFTER THE ONSET OF WINTER WEATHER AND BEFORE THE CONGRESS CONVENES. THE QUESTION IS WHETHER, IN VIEW OF THE ABUNDANT SUPPLY OF MONEY, THE REGIME WILL BE ABLE TO KEEP THE MARKET SUFFICIENTLY SUPPLIED AT PRESENT PRICES TO KEEP CONSUMER DISCONTENT WITHIN ACCEPTABLE BOUNDS, WHILE IT FORMULATES A NEW WAGE-PRICE POLICY WHICH THE POPULA-
CONFIDENTIAL

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PAGE 03 WARSAW 06464 011645Z

TION CAN BE BROUGHT TO ACCEPT.

7. THE SOVIET UNION IS REPORTEDLY COMING TO GIEREK'S ASSISTANCE WITH LONG-TERM CREDITS FOR POLISH GRAIN PURCHASES FROM THIRD COUNTRIES. IF POLAND IS ABLE TO PURCHASE ADDITIONAL GRAINS ON THE AMERICAN MARKET, THIS WILL HELP THE POLISH REGIME WEATHER THE DIFFICULT PERIOD BEFORE IT--A PERIOD WHOSE DIFFICULTIES HAVE BEEN

GREATLY COMPOUNDED BY TWO SUCCESSIVE BAD AGRICULTURAL YEARS. IN MY OPINION, IT IS IN OUR INTEREST TO DO THIS, SINCE WHAT IS ULTIMATELY AT STAKE IS THE LEADERSHIP'S ABILITY TO MAINTAIN ITS CONSUMER-ORIENTED POLICY, BASED IN LARGE PART ON THE CONTINUED GROWTH OF TRADE WITH THE WEST, INCLUDING THE U.S.

8. THE POLISH BODY POLITIC IS HISTORICALLY VOLATILE. HOW IT WILL BEHAVE DURING THE POLICY CHANGES WHICH WILL PRESUMEABLY COME IN THE NEXT THREE-TO-FOUR MONTHS IS IMPOSSIBLE TO PREDICT. FOR ONE THING, WE DO NOT YET KNOW WHAT THOSE CHANGES WILL BE OR HOW THEY /***** ***/

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